

HOUSE BILL No. 2057

AN ACT concerning taxation; relating to property taxation, sale or abandonment of personal property before taxes paid, liens, appointment of interim appraisers, homesteads destroyed or substantially destroyed by natural disaster, certain agreements by board of county commissioners; privilege tax, deductions; income tax, credits, modification to Kansas adjusted gross income; liquified petroleum motor fuel law, rates of taxation; amending K.S.A. 79-2109 and 79-3492 and K.S.A. 2013 Supp. 19-430, 79-1613, 79-1703, 79-32,117, 79-32,143a, 79-32,195, 79-3495 and 79-34,141 and repealing the existing sections; also repealing K.S.A. 79-2110.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2013 Supp. 19-430 is hereby amended to read as follows: 19-430. (a) On July 1, 1993, and on July 1 of each fourth year thereafter, the board of county commissioners *or governing body of any unified government* of each county shall by resolution appoint a county appraiser for such county who shall serve for a term of four years ~~and until a successor is appointed expiring on June 30 of the fourth year thereafter~~. No person shall be appointed or reappointed to or serve as county appraiser in any county under the provisions of this act unless such person shall have at least three years of mass appraisal experience and be qualified by the director of property valuation as an eligible Kansas appraiser under the provisions of this act. Whenever a vacancy shall occur in the office of county appraiser the board of county commissioners *or governing body of any unified government* shall appoint an eligible Kansas appraiser to fill such vacancy for the unexpired term ~~and until a successor is appointed~~. The person holding the office of county or district appraiser or performing the duties thereof on the effective date of this act shall continue to hold such office and perform such duties until a county appraiser is appointed under the provisions of this act. No person shall be appointed to the office of county or district appraiser or to fill a vacancy therein unless such person is currently: (1) A certified general real property appraiser pursuant to article 41 of chapter 58 of the Kansas Statutes Annotated, and amendments thereto; (2) a registered mass appraiser pursuant to rules and regulations adopted by the secretary of revenue; or (3) holding a valid residential evaluation specialist or certified assessment evaluation designation from the International Association of Assessing Officers. Notwithstanding the foregoing provision, ~~any person who holds the office of county or district appraiser on the effective date of this act and who is not eligible for reappointment pursuant to this section shall be eligible for reappointment to such office or appointment as a county or district appraiser in another county for a term expiring on July 1, 1999, and if any such person qualifies for an original appointment or reappointment prior to July 1, 1999, such person may be reappointed for a full term, and any other person who has at least three years of mass appraisal experience and is qualified by the director of property valuation as an eligible Kansas appraiser shall be eligible for appointment to such office for a term expiring on July 1, 1999, and if any such person qualifies for an original appointment prior to July 1, 1999, such person may be reappointed for a full term~~ *the board of county commissioners or governing body of any unified government may appoint an interim county appraiser, subject to the approval of the director of property valuation, for a period not to exceed six months to fill a vacancy in the office of county appraiser pending the appointment of an eligible county appraiser under the provisions of this act.*

(b) The secretary of revenue shall adopt rules and regulations prior to October 1, 1997, necessary to establish qualifications for the designation of a registered mass appraiser.

New Sec. 2. Whenever personal property in this state is abandoned or repossessed after it is assessed and before the taxes are paid, the owner or lessee of any real property upon which such property was situated at the time of abandonment or repossession shall not be liable for such taxes where lawful title to such property is acquired by such landowner or lessee within 12 months of the time such property is deemed abandoned or within 12 months of the time legal proceedings are commenced to effect a repossession.

Sec. 3. K.S.A. 2013 Supp. 79-1613 is hereby amended to read as follows: 79-1613. (a) As used in this section:

(1) "Destroyed or substantially destroyed" means damage of any origin sustained by a homestead as the direct result of: (A) An earthquake, flood, tornado, fire, or storm; ~~or other~~ (B) an event or occurrence which

the governor of the state of Kansas has declared a disaster, whereby the cost of restoring the structure to its before-damaged condition would equal or exceed 50% of the market value of the structure before the damage occurred.

(2) “Homestead” means the dwelling, or any part thereof, whether owned or rented, which is occupied as a residence by the household and so much of the land surrounding it, as defined as a home site for ad valorem tax purposes, and may consist of a part of a multi-dwelling or multi-purpose building and a part of the land upon which it is built or a manufactured home or mobile home and the land upon which it is situated. “Owned” includes a vendee in possession under a land contract, a life tenant, a beneficiary under a trust and one or more joint tenants or tenants in common.

(3) “Public or private buyout” means any buyout from a local, state or federal governmental entity or any non-governmental entity, including, but not limited to, an individual, foundation, trust, association, corporation, limited liability company or partnership.

(b) The owner of any homestead listed and assessed for property taxation purposes which was destroyed or substantially destroyed due to an earthquake, flood, tornado, fire, storm, or other event or occurrence which the governor of the state of Kansas has declared a disaster may make application to the board of county commissioners of the county in which such property is located for the abatement of property taxes levied upon such homestead or for a credit against property taxes payable by such owner, as permitted by this section.

(1) If such homestead has been so destroyed or substantially destroyed after January 1 of a particular year but prior to August 15 of such year, the owner of such homestead may make application to such board of county commissioners for the abatement of property taxes levied upon such homestead, or if such property taxes have been paid or partially paid, may make application for the granting of a credit against property taxes payable by such owner during any or all of the next succeeding three taxable years.

(2) If such homestead has been so destroyed or substantially destroyed on or after August 15 of a particular year but prior to January 1 of the next succeeding year, the owner of such homestead may make application to such board of county commissioners for the granting of a credit against property taxes payable by such owner during any or all of the next succeeding three taxable years.

(c) An application for relief as permitted by subsection (b) may be made for abatement of property taxes assessed but not yet paid, or for a grant of a credit for assessed property taxes paid or for both, as the case may be, and may be made on or before December 20 of the year next succeeding the year for which such taxes have been assessed.

(d) Upon receipt of any such application, subject to budgetary restraints of the county or taxing subdivision arising from the event or occurrence declared a disaster by the governor, the board of county commissioners shall inquire into and make findings regarding, among other things, whether the property is a homestead, as defined in subsection (a), whether the homestead was destroyed or substantially destroyed, as defined in subsection (a) and the assessed valuation thereof. If it is determined that an owner of such homestead is entitled to an abatement of all or any portion of the property taxes levied against such homestead or is entitled to a credit against property taxes payable by such owner in any or all of the next succeeding three years, the board may issue an order so providing.

~~(e) The board shall not grant an application for relief by an owner who is a recipient of funds from either a public or private buyout or insurance proceeds, which, as the case may be, are of an amount equal to or greater than 50% of the entire pre-disaster value of the homestead which was destroyed or substantially destroyed.~~

~~(f)~~—The county clerk and county treasurer shall in each case of abatement or credit correct their records in accordance therewith and the county clerk shall notify the governing body of any taxing district affected thereby.

~~(g)~~(f) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2011, and ending before January 1, 2014 all taxable years thereafter.

Sec. 4. K.S.A. 2013 Supp. 79-1703 is hereby amended to read as follows: 79-1703. (a) Except as provided in subsection (b) or as otherwise provided by law, no board of county commissioners or other officer of any county shall have power to release, discharge; *or remit* ~~or commute~~ any portion of the taxes assessed or levied against any person or property within their respective jurisdictions for any reason whatever. Any taxes so discharged, released; *or remitted* ~~or commuted~~ may be recovered by civil action from the members of the board of county commissioners or such other officer and the sureties of their official bonds at the suit of the attorney general, the county attorney, or of any citizen of the county or the board of education of any school district a part of the territory of which is in such county, as the case may be, and when collected shall be paid into the county treasury to be properly apportioned and paid to the county, municipalities, school districts and other taxing subdivisions entitled thereto. *Nothing in this subsection shall be construed to prohibit a board of county commissioners from entering into an agreement whereby the board agrees to pay the full amount of the taxes assessed or levied against any person or property on behalf of such person, as long as such amount is properly apportioned and paid to the county, municipalities, school districts and other taxing subdivisions entitled to a portion of such amount.*

(b) In the event a person, partnership or corporation has failed to pay any portion of the taxes assessed or levied against its property located within any county and such person, partnership or corporation is a debtor in an action filed pursuant to the United States bankruptcy code, the county commissioners of any such county may compromise, assign, transfer or otherwise settle such tax claim in such fashion as the commissioners deem to be in the best interest of the state and all taxing subdivisions affected thereby, subject to approval by the state court of tax appeals; except that, the state and each other taxing subdivision affected by any such settlement shall receive the same proportional share of its respective tax claim. The state court of tax appeals shall respond to such settlement request within 30 days from the date of receiving such request or such request shall be deemed approved.

Sec. 5. K.S.A. 79-2109 is hereby amended to read as follows: 79-2109. ~~If any owner of personal property after the date as of which personal property is assessed and before the tax thereon is paid, shall sell all of a class of the same to any one person, the tax for that year shall be a lien upon the property so sold, and shall at once become due and payable, and the county treasurer shall at once issue a tax warrant for the collection thereof, and the sheriff shall forthwith collect it as in other cases. The property so sold shall be liable in the hands of the purchaser for such tax, but in the event that a purchaser shall pay the tax or any part thereof; or, if said property be seized and sold for such tax the seller thereof, shall be civilly liable to the purchaser for the amount of the taxes the purchaser has paid or the amount of taxes due on the property so seized, but if the property be sold in the ordinary course of retail trade it shall not be so liable in the hands of the purchasers.~~ *(a) On and after January 1, 2015, if any owner of personal property sells or transfers such property to another after the date such property is assessed and before the tax thereon is paid, then the taxes on the personal property of such taxpayer which is being sold or transferred shall fall due immediately, and a lien shall attach to the property so sold or transferred. The lien shall be for an amount equal to the tax assessment for the year in which the sale or transfer is made and shall become due and payable immediately. The lien shall attach to the property and is not a personal debt of the purchaser or transferee. In no circumstance shall the purchaser or transferee be liable for any taxes owed by the seller or transferor prior to the year in which the sale or transfer occurred. Such lien shall be in preference to all other claims against such property. The county treasurer, after receiving knowledge of any such surrender or transfer, shall issue immediately a tax warrant for the collection thereof and the sheriff shall collect it as in other cases. The lien shall remain on the property and any person taking possession of the property does so subject to the lien. The one owing such tax shall be liable civilly to any person taking possession of such property for any taxes owing thereon, but the property shall be liable in the hands of the person taking possession thereof for such tax. If the property is sold in the or-*

dinary course of retail trade it shall not be liable in the hands of the purchasers. No personal property which has been transferred in any manner after it has been assessed shall be liable for the tax in the hands of the transferee after the expiration of three years from the time such tax originally became due and payable.

(b) If, at the time of the sale, taxes on the personal property remain due and unpaid for any tax year or years prior to the year of the sale, then such unpaid taxes shall be a personal debt of the seller, subject to collection under K.S.A. 79-2017 or 79-2101, and amendments thereto, as the case may be. The county treasurer of the county where such personal property taxes remain due and unpaid shall update the records of the county treasurer to show that the seller or transferor is delinquent and owes personal property taxes levied against the seller or transferor for such previous year or years for the purposes of vehicle registration under K.S.A. 8-173, and amendments thereto.

Sec. 6. K.S.A. 2013 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:

(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that the same is not included in federal adjusted gross income, on obligations of any state or political subdivision thereof, but to the extent that interest income on obligations of this state or a political subdivision thereof issued prior to January 1, 1988, is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations, it shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income. Interest income on obligations of this state or a political subdivision thereof issued after December 31, 1987, shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income.

(ii) Taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state or any other taxing jurisdiction to the extent deductible in determining federal adjusted gross income and not credited against federal income tax. This paragraph shall not apply to taxes imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amendments thereto, for privilege tax year 1995, and all such years thereafter.

(iii) The federal net operating loss deduction.

(iv) Federal income tax refunds received by the taxpayer if the deduction of the taxes being refunded resulted in a tax benefit for Kansas income tax purposes during a prior taxable year. Such refunds shall be included in income in the year actually received regardless of the method of accounting used by the taxpayer. For purposes hereof, a tax benefit shall be deemed to have resulted if the amount of the tax had been deducted in determining income subject to a Kansas income tax for a prior year regardless of the rate of taxation applied in such prior year to the Kansas taxable income, but only that portion of the refund shall be included as bears the same proportion to the total refund received as the federal taxes deducted in the year to which such refund is attributable bears to the total federal income taxes paid for such year. For purposes of the foregoing sentence, federal taxes shall be considered to have been deducted only to the extent such deduction does not reduce Kansas taxable income below zero.

(v) The amount of any depreciation deduction or business expense deduction claimed on the taxpayer's federal income tax return for any capital expenditure in making any building or facility accessible to the handicapped, for which expenditure the taxpayer claimed the credit allowed by K.S.A. 79-32,177, and amendments thereto.

(vi) Any amount of designated employee contributions picked up by an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965, and amendments thereto.

(vii) The amount of any charitable contribution made to the extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-32,196, and amendments thereto.

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross in-

come, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2013 Supp. 79-32,204, and amendments thereto.

(ix) The amount of any ad valorem taxes and assessments paid and the amount of any costs incurred for habitat management or construction and maintenance of improvements on real property, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203, and amendments thereto.

(x) Amounts received as nonqualified withdrawals, as defined by K.S.A. 2013 Supp. 75-643, and amendments thereto, if, at the time of contribution to a family postsecondary education savings account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments thereto, or if such amounts are not already included in the federal adjusted gross income.

(xi) The amount of any contribution made to the same extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 2013 Supp. 74-50,154, and amendments thereto.

(xii) For taxable years commencing after December 31, 2004, amounts received as withdrawals not in accordance with the provisions of K.S.A. 2013 Supp. 74-50,204, and amendments thereto, if, at the time of contribution to an individual development account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xiii) of subsection (c), or if such amounts are not already included in the federal adjusted gross income.

(xiii) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2013 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiv) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,221, and amendments thereto.

(xv) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2013 Supp. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-32,251 through 79-32,254, and amendments thereto.

(xvi) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

(xvii) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,256, and amendments thereto.

(xviii) For taxable years commencing after December 31, 2006, the amount of any ad valorem or property taxes and assessments paid to a state other than Kansas or local government located in a state other than Kansas by a taxpayer who resides in a state other than Kansas, when the law of such state does not allow a resident of Kansas who earns income in such other state to claim a deduction for ad valorem or property taxes or assessments paid to a political subdivision of the state of Kansas in determining taxable income for income tax purposes in such other state, to the extent that such taxes and assessments are claimed as an itemized deduction for federal income tax purposes.

(xix) For all taxable years beginning after December 31, 2012, the amount of any: (1) Loss from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) loss from rental real estate, royalties, partnerships, S corporations, except those with wholly owned subsidiaries subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) farm loss as determined under the federal internal revenue code and reported from

schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent deducted or subtracted in determining the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011, and as revised thereafter by the internal revenue service.

(xx) For all taxable years beginning after December 31, 2012, the amount of any deduction for self-employment taxes under section 164(f) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxi) For all taxable years beginning after December 31, 2012, the amount of any deduction for pension, profit sharing, and annuity plans of self-employed individuals under section 62(a)(6) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxii) For all taxable years beginning after December 31, 2012, the amount of any deduction for health insurance under section 162(l) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxiii) For all taxable years beginning after December 31, 2012, the amount of any deduction for domestic production activities under section 199 of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxiv) For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid for medical care of the taxpayer or the taxpayer's spouse or dependents when such expenses were paid or incurred for an abortion, or for a health benefit plan, as defined in K.S.A. 2013 Supp. 65-6731, and amendments thereto, for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2013 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and assessments are claimed as an itemized deduction for federal income tax purposes.

(xxv) For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid by a taxpayer for health care when such expenses were paid or incurred for abortion coverage, a health benefit plan, as defined in K.S.A. 2013 Supp. 65-6731, and amendments thereto, when such expenses were paid or incurred for abortion coverage or amounts contributed to health savings accounts for such taxpayer's employees for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2013 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and assessments are claimed as a deduction for federal income tax purposes.

(c) There shall be subtracted from federal adjusted gross income:

(i) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States and its possessions less any related expenses directly incurred in the purchase of such obligations or securities, to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

(ii) Any amounts received which are included in federal adjusted gross income but which are specifically exempt from Kansas income taxation under the laws of the state of Kansas.

(iii) The portion of any gain or loss from the sale or other disposition of property having a higher adjusted basis for Kansas income tax purposes than for federal income tax purposes on the date such property was sold or disposed of in a transaction in which gain or loss was recognized for purposes of federal income tax that does not exceed such difference in basis, but if a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to that portion of such gain which is included in federal adjusted gross income.

(iv) The amount necessary to prevent the taxation under this act of any annuity or other amount of income or gain which was properly in-

cluded in income or gain and was taxed under the laws of this state for a taxable year prior to the effective date of this act, as amended, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the taxpayer received the income or gain.

(v) The amount of any refund or credit for overpayment of taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state, or any taxing jurisdiction, to the extent included in gross income for federal income tax purposes.

(vi) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the extent that the same are included in federal adjusted gross income.

(vii) Amounts received as annuities under the federal civil service retirement system from the civil service retirement and disability fund and other amounts received as retirement benefits in whatever form which were earned for being employed by the federal government or for service in the armed forces of the United States.

(viii) Amounts received by retired railroad employees as a supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and 228c (a)(1) et seq.

(ix) Amounts received by retired employees of a city and by retired employees of any board of such city as retirement allowances pursuant to K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter ordinance exempting a city from the provisions of K.S.A. 13-14,106, and amendments thereto.

(x) For taxable years beginning after December 31, 1976, the amount of the federal tentative jobs tax credit disallowance under the provisions of 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit disallowances under 26 U.S.C. § 280 C.

(xi) For taxable years beginning after December 31, 1986, dividend income on stock issued by Kansas Venture Capital, Inc.

(xii) For taxable years beginning after December 31, 1989, amounts received by retired employees of a board of public utilities as pension and retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249, and amendments thereto.

(xiii) For taxable years beginning after December 31, 2004, amounts contributed to and the amount of income earned on contributions deposited to an individual development account under K.S.A. 2013 Supp. 74-50,201 et seq., and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. For all taxable years beginning after December 31, 2012, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer's form 1040 federal individual income tax return.

(xv) For all taxable years beginning after December 31, 2006, amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2013 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

(xvi) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed

forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by such taxpayer as an incentive to join, enlist or remain in the armed services of the United States, including service in the Kansas army and air national guard, and amounts received for repayment of educational or student loans incurred by or obligated to such taxpayer and received by such taxpayer as a result of such taxpayer's service in the armed forces of the United States, including service in the Kansas army and air national guard.

(xvii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are eligible members of the Kansas army and air national guard as a reimbursement pursuant to K.S.A. 48-281, and amendments thereto, and amounts received for death benefits pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

(xviii) For the taxable year beginning after December 31, 2006, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of \$50,000 or less, whether such taxpayer's filing status is single, head of household, married filing separate or married filing jointly; and for all taxable years beginning after December 31, 2007, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of \$75,000 or less, whether such taxpayer's filing status is single, head of household, married filing separate or married filing jointly.

(xix) Amounts received by retired employees of Washburn university as retirement and pension benefits under the university's retirement plan.

(xx) For all taxable years beginning after December 31, 2012, the amount of any: (1) Net profit from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) net income from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) net farm profit as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011 and as revised thereafter by the internal revenue service.

(xvi) *For all taxable years beginning after December 31, 2012, amounts received under either the Overland Park, Kansas police department retirement plan or the Overland Park, Kansas fire department retirement plan, both as established by the city of Overland Park, pursuant to the city's home rule authority.*

(d) There shall be added to or subtracted from federal adjusted gross income the taxpayer's share, as beneficiary of an estate or trust, of the Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and amendments thereto.

(e) The amount of modifications required to be made under this section by a partner which relates to items of income, gain, loss, deduction or credit of a partnership shall be determined under K.S.A. 79-32,131, and amendments thereto, to the extent that such items affect federal adjusted gross income of the partner.

Sec. 7. K.S.A. 2013 Supp. 79-32,143a is hereby amended to read as follows: 79-32,143a. (a) For taxable years beginning after December 31, 2011, a taxpayer may elect to take an expense deduction from Kansas net income before expensing or recapture allocated or apportioned to this state for the cost of the following property placed in service in this state during the taxable year: (1) Tangible property eligible for depreciation under the modified accelerated cost recovery system in section 168 of the internal revenue code, as amended, but not including residential rental

property, nonresidential real property, any railroad grading or tunnel bore or any other property with an applicable recovery period in excess of 25 years as defined under section 168(c) or (g) of the internal revenue code, as amended; and (2) computer software as defined in section 197(e)(3)(B) of the internal revenue code, as amended, and as described in section 197(e)(3)(A)(i) of the internal revenue code, as amended, to which section 167 of the internal revenue code, as amended, applies. If such election is made, the amount of expense deduction for such cost shall equal the difference between the depreciable cost of such property for federal income tax purposes and the amount of bonus depreciation being claimed for such property pursuant to section 168(k) of the internal revenue code, as amended, for federal income tax purposes in such tax year, but without regard to any expense deduction being claimed for such property under section 179 of the internal revenue code, as amended, multiplied by the applicable factor, determined by using, the table provided in subsection (f), based on the method of depreciation selected pursuant to section 168(b)(1), (2), or (3) or (g) of the internal revenue code, as amended, and the applicable recovery period for such property as defined under section 168(c) or (g) of the internal revenue code, as amended. This election shall be made by the due date of the original return, including any extensions, and may be made only for the taxable year in which the property is placed in service, and once made, shall be irrevocable. If the section 179 expense deduction election has been made for federal income tax purposes for any asset, the applicable factor to be utilized is in the IRC § 168 (b)(1) column of the table provided in subsection (f) for the applicable recovery period of the respective assets.

(b) If the amount of expense deduction calculated pursuant to subsection (a) exceeds the taxpayer's Kansas net income before expensing or recapture allocated or apportioned to this state, such excess amount shall be treated as a Kansas net operating loss as provided in K.S.A. 79-32,143, and amendments thereto.

(c) If the property for which an expense deduction is taken pursuant to subsection (a) is subsequently sold during the applicable recovery period for such property as defined under section 168(c) of the internal revenue code, as amended, and in a manner that would cause recapture of any previously taken expense or depreciation deductions for federal income tax purposes, or if the situs of such property is otherwise changed such that the property is relocated outside the state of Kansas during such applicable recovery period, then the expense deduction determined pursuant to subsection (a) shall be subject to recapture and treated as Kansas taxable income allocated to this state. The amount of recapture shall be the Kansas expense deduction determined pursuant to subsection (a) multiplied by a fraction, the numerator of which is the number of years remaining in the applicable recovery period for such property as defined under section 168(c) or (g) of the internal revenue code, as amended, after such property is sold or removed from the state including the year of such disposition, and the denominator of which is the total number of years in such applicable recovery period.

(d) The situs of tangible property for purposes of claiming and recapture of the expense deduction shall be the physical location of such property. If such property is mobile, the situs shall be the physical location of the business operations from where such property is used or based. The situs of computer software shall be apportioned to Kansas based on the fraction, the numerator of which is the number of the taxpayer's users located in Kansas of licenses for such computer software used in the active conduct of the taxpayer's business operations, and the denominator of which is the total number of the taxpayer's users of the licenses for such computer software used in the active conduct of the taxpayer's business operations everywhere.

(e) Any member of a unitary group filing a combined report may elect to take an expense deduction pursuant to subsection (a) for an investment in property made by any member of the combined group, provided that the amount calculated pursuant to subsection (a) may only be deducted from the Kansas net income before expensing or recapture allocated to or apportioned to this state by such member making the election.

(f) The following table shall be used in determining the expense deduction calculated pursuant to subsection (a):

Factors			
IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method	IRC§168(b)(2) Depreciation Method	IRC§168(b)(3) or (g) Depreciation Method
2.5	*	.077	.092
3	.075	.091	.106
3.5	*	.102	.116
4	*	.114	.129
5	.116	.135	.150
6	*	.154	.170
6.5	*	.163	.179
7	.151	.173	.190
7.5	*	.181	.199
8	*	.191	.208
8.5	*	.199	.217
9	*	.208	.226
9.5	*	.216	.235
10	.198	.224	.244
10.5	*	.232	.252
11	*	.240	.261
11.5	*	.248	.269
12	*	.256	.277
12.5	*	.263	.285
13	*	.271	.293
13.5	*	.278	.300
14	*	.285	.308
15	*	.299	.323
16	*	.313	.337
16.5	*	.319	.344
17	*	.326	.351
18	*	.339	.365
19	*	.351	.378
20	*	.363	.391
22	*	.386	.415
24	*	.408	.438
25	*	.419	.449

*Not Applicable

(g) If a taxpayer elects to expense any investment pursuant to subsection (a), such taxpayer shall not be eligible for any tax credit, accelerated depreciation, or deduction for such investment allowed pursuant to K.S.A. 2013 Supp. 79-32,160a(e), 79-32,182b, 79-32,201, 79-32,204, 79-32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-32,227, 79-32,229, 79-32,232, 79-32,234, 79-32,237, 79-32,239, 79-32,246, 79-32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and amendments thereto.

(h) (1) For tax year 2013, ~~and all tax years thereafter~~, the deduction allowed by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and used only to determine such taxpayer's corporate income tax liability.

(2) For tax year 2014, and all tax years thereafter, the deduction allowed by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, or the privilege tax imposed upon any national banking association, state bank, savings bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and used only to determine such taxpayer's corporate income or privilege tax liability.

Sec. 8. K.S.A. 2013 Supp. 79-32,195 is hereby amended to read as follows: 79-32,195. As used in this act, the following words and phrases shall have the meanings ascribed to them herein: (a) "Business firm" means any business entity authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act, any individual subject to the state income tax imposed by the provisions of the Kansas income tax act, any national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or any insurance company paying the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto;

(b) “Community services” means:

(1) The conduct of activities which meet a demonstrated community need and which are designed to achieve improved educational and social services for Kansas children and their families, and which are coordinated with communities including, but not limited to, social and human services organizations that address the causes of poverty through programs and services that assist low income persons in the areas of employment, food, housing, emergency assistance and health care;

(2) crime prevention; ~~and~~

(3) health care services; *and*

(4) *youth apprenticeship and technical training.*

(c) “Crime prevention” means any nongovernmental activity which aids in the prevention of crime.

(d) *“Youth apprenticeship and technical training” means conduct of activities which are designed to improve the access to and quality of apprenticeship and technical training which support an emphasis on rural construction projects as well as the necessary equipment, facilities and supportive mentorship for youth apprenticeships and technical training.*

(e) “Community service organization” means any organization performing community services in Kansas and which:

(1) Has obtained a ruling from the internal revenue service of the United States department of the treasury that such organization is exempt from income taxation under the provisions of section 501(c)(3) of the federal internal revenue code; or

(2) is incorporated in the state of Kansas or another state as a non-stock, nonprofit corporation; or

(3) has been designated as a community development corporation by the United States government under the provisions of title VII of the economic opportunity act of 1964; or

(4) is chartered by the United States congress.

~~(e)~~(f) “Contributions” shall mean and include the donation of cash, services or property other than used clothing in an amount or value of \$250 or more. Stocks and bonds contributed shall be valued at the stock market price on the date of transfer. Services contributed shall be valued at the standard billing rate for not-for-profit clients. Personal property items contributed shall be valued at the lesser of its fair market value or cost to the donor and may be inclusive of costs incurred in making the contribution, but shall not include sales tax. Contributions of real estate are allowable for credit only when title thereto is in fee simple absolute and is clear of any encumbrances. The amount of credit allowable shall be based upon the lesser of two current independent appraisals conducted by state licensed appraisers.

~~(f)~~(g) “Health care services” shall include, but not be limited to, the following: Services provided by local health departments, city, county or district hospitals, city or county nursing homes, or other residential institutions, preventive health care services offered by a community service organization including immunizations, prenatal care, the postponement of entry into nursing homes by home health care services, and community based services for persons with a disability, mental health services, indigent health care, physician or health care worker recruitment, health education, emergency medical services, services provided by rural health clinics, integration of health care services, home health services and services provided by rural health networks, except that for taxable years commencing after December 31, 2013, health care services shall not include any service involving the performance of any abortion, as defined in K.S.A. 65-6701, and amendments thereto.

~~(g)~~(h) “Rural community” means any city having a population of fewer than 15,000 located in a county that is not part of a standard metropolitan statistical area as defined by the United States department of commerce or its successor agency. However, any such city located in a county defined as a standard metropolitan statistical area shall be deemed a rural community if a substantial number of persons in such county derive their income from agriculture and, in any county where there is only one city within the county which has a population of more than 15,000 and which classifies as a standard metropolitan statistical area, all other cities in that county having a population of less than 15,000 shall be deemed a rural community.

Sec. 9. K.S.A. 79-3492 is hereby amended to read as follows: 79-3492. (a) Except as otherwise provided in this act, a tax per gallon, or fraction thereof, at the rate computed as prescribed in K.S.A. 79-34,141, and amendments thereto, is hereby imposed on the LP-gas user or LP-gas dealer who places such LP-gas fuel into the fuel supply tank or tanks of any motor vehicle while such vehicle is within this state except that in those instances in which LP-gas is withdrawn from the cargo tank of a motor vehicle for the operation thereof upon the public highways of the state, the tax shall be imposed upon and measured only by that volume of LP-gas so withdrawn and used multiplied by the tax rate per gallon provided in this act.

(b) *The conversion formula to be used to convert compressed natural gas and liquefied natural gas per gallon for the tax imposed pursuant to K.S.A. 79-34,141, and amendments thereto, shall be as follows:*

(1) *For purposes of converting the energy equivalent of compressed natural gas to a gasoline gallon energy equivalent, 126.67 cubic feet or 5.66 pounds of compressed natural gas shall equal one gasoline gallon; or*

(2) *for purposes of converting the energy equivalent of liquefied natural gas to a diesel gallon energy equivalent, 6.06 pounds of liquefied natural gas shall equal one diesel gallon.*

Sec. 10. K.S.A. 2013 Supp. 79-3495 is hereby amended to read as follows: 79-3495. (a) Each LP-gas user or LP-gas dealer subject to the provisions of this act must, on or before the 25th day of each calendar month, file with the director a report, certified to be true and correct, on a form prescribed and furnished by the director, showing the total number of gallons of LP-gas placed into fuel supply tank or tanks of any motor vehicle while such vehicle is within this state during the preceding calendar month, including the number of gallons on hand at the beginning and end of each month, the number of gallons received from any and all sources supported by detailed schedules of receipts, purchases and withdrawals for sale or use, and such other information as the director may require. Each LP-gas user or LP-gas dealer at the time of filing each monthly report must pay to the director the full amount of tax due for the preceding calendar month at the rate provided for in this act.

(b) Any tax imposed under the provisions of this act not paid on or before the 25th of the month succeeding the calendar month in which the LP-gas was used shall be deemed delinquent and shall bear interest at the rate per month, or fraction thereof prescribed by subsection (a) of K.S.A. 79-2968, and amendments thereto, from such due date until paid, and in addition thereto there is hereby imposed upon all amounts of such tax remaining due and unpaid after such due date a penalty in the amount of 5% thereof, and such penalty shall be by the director added to and collected as a part of such tax. If the LP-gas user or LP-gas dealer furnishes evidence to the director that the delinquency was due to causes beyond such user's or dealer's reasonable control, and if in the opinion of the director the delinquency was not the result of willful negligence of the LP-gas user or LP-gas dealer the penalty or interest or both may be waived or reduced by the director.

(c) The director, if satisfied that the enforcement of the act is not adversely affected, may exempt any LP-gas user or LP-gas dealer from the monthly reporting and payment requirements of this act and require in lieu thereof annual payment of the tax due hereunder and annual reporting on forms provided by the director.

(d) Whenever the secretary or the secretary's designee determines that the failure of the taxpayer to comply with the provisions of subsection (b) was due to reasonable causes, the secretary or the secretary's designee may waive or reduce any of the penalties and may reduce the interest rate to the underpayment rate prescribed and determined for the applicable period under section 6621 of the federal internal revenue code as in effect on January 1, 1994, upon making a record of the reasons therefor.

(e) It shall be unlawful for any LP-gas user or LP-gas dealer to use or sell any LP-gas within this state unless such LP-gas user or LP-gas dealer is a holder of an uncanceled, unsuspended or unrevoked license issued by the director, *unless such user has remitted the tax to a licensed LP-gas dealer.* To procure such license every applicant shall file with the director an application upon oath and in such form as the director may prescribe, setting forth the name and addresses, the kind of business, and

the designation of the exact locations or places of business where LP-gas is delivered or placed into the fuel supply tank or tanks of a motor vehicle, and such other information as the director may require. Such application must also contain, as a condition to the issuance of the license, an agreement by the applicant to comply with the provisions and requirements of this act and the rules and regulations promulgated by the director. If the applicant is a partnership or association, the application shall set forth the name and address of each partner or person constituting the partnership, or association, and if a corporation, the names and addresses of the principal officers thereof, and any other information prescribed by the director for the purposes of identification. The application shall be signed and verified by oath or affirmation by the owner, if a natural person, and in case of partnership or association, by a partner or member thereof, and in case of a corporation, by an executive officer thereof or some person specifically authorized by the corporation to sign the application, to which shall be attached written evidence of such person's authority. Any valid LP-gas user's or LP-gas dealer's license in effect on the effective date of this act shall remain in full force and effect and no new application need be made under this act.

(f) In the event that any application for a license to use LP-gas as an LP-gas user or LP-gas dealer in this state shall be filed by any person whose license shall at any time theretofore have been canceled for cause, or in case the director shall be of the opinion that such application is not filed in good faith, or that such application is filed by some person as a subterfuge for the real person in interest whose license or registration shall theretofore have been canceled for cause, then and in any of such events, the director may refuse to issue to such person a license in this state. Notice of such refusal shall be mailed to the applicant. Any applicant aggrieved by the order of the director refusing to issue a license may request a hearing of the director on such application by filing with the director a written request therefor. Upon such filing the director shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act. If the director finds upon such hearing that applicant is entitled to a license, the director shall order its issuance, but if the director finds that such applicant is not entitled to a license, such director shall enter an order refusing issuance.

(g) Upon the filing of the application for a license, a filing fee of \$5 shall be paid to the director. All such fees collected by the director shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state general fund. The application in proper form having been accepted for filing, the bond hereafter provided for having been accepted and approved by the director and the other conditions and requirements of this act having been complied with, the director shall issue to such applicant a license and such license shall be in force so long as the holder thereof has in force a bond as required by this act deposited with the director, or until such license is suspended, surrendered, or revoked for cause by the director. The license issued by the director shall not be assignable and shall be valid only for the LP-gas user or LP-gas dealer in whose name issued, and shall be displayed conspicuously by the LP-gas user or LP-gas dealer at the user's or dealer's principal place of business as set forth in the application.

(h) In the event a person qualifies for both a user's and dealer's license, only one license shall be required. A copy of such user's or dealer's license shall be required for each place of business of the licensee where LP-gas is sold or dispensed. No charge shall be made for additional copies of such user's or dealer's license when such copies are required for multiple business locations.

Sec. 11. K.S.A. 2013 Supp. 79-34,141 is hereby amended to read as follows: 79-34,141. The tax imposed under this act shall be not less than:

- (1) On motor-vehicle fuels other than E85 fuels, \$.24 per gallon, or fraction thereof;
- (2) on special fuels, \$.26 per gallon, or fraction thereof;
- (3) on LP-gas, *other than compressed natural gas and liquefied natural gas*, \$.23 per gallon, or fraction thereof; ~~and~~
- (4) on E85 fuels, \$.17 per gallon, or fraction thereof;

(5) *on compressed natural gas, \$.24 per gallon, or fraction thereof;*
and

(6) *on liquefied natural gas, \$.26 per gallon, or fraction thereof.*

Sec. 12. K.S.A. 79-2109, 79-2110 and 79-3492 and K.S.A. 2013 Supp. 19-430, 79-1613, 79-1703, 79-32,117, 79-32,143a, 79-32,195, 79-3495 and 79-34,141 are hereby repealed.

Sec. 13. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the
HOUSE, and was adopted by that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.